February 2, 2005

Assistant Secretary for Financial Markets Timothy S. Bitsberger
February 2005 Quarterly Refunding Statement

We are offering $51.0 billion of notes to refund approximately $11.4 billion of privately held securities and Government account holdings maturing or called on February 15, raising approximately $39.6 billion. The securities are:

- A new 3-year note in the amount of $22 billion, maturing February 15, 2008;
- A new 5-year note in the amount of $15 billion, maturing February 15, 2010;
- A new 10-year note in the amount of $14 billion, maturing February 15, 2015.

These securities will be auctioned on a yield basis at 1:00 PM Eastern time on Tuesday, February 8, Wednesday, February 9, and Thursday, February 10, respectively. All of these auctions will settle on Tuesday, February 15. The balance of our financing requirements will be met with weekly bills, monthly 2-year and 5-year notes, the March 10-year note reopening, and the April 5-year and 10-year TIPS reopenings. Treasury is also likely to issue cash management bills in early March and April.

Data Review

Following the November 2004 refunding, Treasury received many comments and suggestions on data we currently publish on Treasury auctions and holdings. We are continuing to assess the data in terms of what additional data we should make public and the relevance of existing data that we publish. We expect to implement changes soon. A list of the data under review can be found in the primary dealer meeting agenda released on October 22, at the following link:
http://www.treas.gov/offices/domestic-finance/debt-management/dealer-agenda/2004-q4.pdf

Policies under Consideration

Setting of Coupons in Decimal Increments

Treasury is considering a coupon format change for Treasury notes and bonds. Currently coupons are set in 1/8 percent increments. Under consideration is a proposal to set coupons in decimal increments (with the increment yet to be decided) rather than the current 1/8 percent increments. This change, if implemented, would apply to all nominal Treasury and TIPS coupon securities and would lower the probability of unintended reopenings of outstanding securities.

"Stepping Down" Coupons to Prevent Unintended Reopenings

Treasury is also considering implementing a policy of "stepping down" the coupon on newly auctioned securities by one increment to avoid unintended reopenings of existing securities that occasionally occur when a new security has the same maturity and same coupon as an existing security. Under the proposal, when an auction results in a coupon that creates an unintended reopening, Treasury would set the coupon 1/8 percent increment lower than normal on the newly-auctioned security and adjust the price of the new security downward (bigger price discount). The yield established at the auction would be identical to the yield set under the current practice. This proposed process would avoid unintended reopenings.

Please send comments and suggestions on these subjects or others relating to debt management to debt.management@do.treas.gov.

The next quarterly refunding announcement will take place on Wednesday, May 4, 2005.